



Iowa General Assembly

2011 Committee Briefings

Legislative Services Agency – Legal Services Division

<http://www.legis.iowa.gov/Schedules/committee.aspx?GA=84&CID=57>

PUBLIC RETIREMENT SYSTEMS COMMITTEE

Meeting Dates: [November 9 and 10, 2011](#)

Purpose. This compilation of briefings on legislative interim committee meetings and other meetings and topics of interest to the Iowa General Assembly, written by the Legal Services Division staff of the nonpartisan Legislative Services Agency, describes committee activities or topics. The briefings were originally distributed in the Iowa Legislative Interim Calendar and Briefing. Official minutes, reports, and other detailed information concerning the committee or topic addressed by a briefing can be obtained from the committee's Internet page listed above, from the Iowa General Assembly's Internet page at <http://www.legis.iowa.gov/index.aspx> or from the agency connected with the meeting or topic described.

PUBLIC RETIREMENT SYSTEMS COMMITTEE

November 9 and 10, 2011

Co-Chairperson: Senator John P. (Jack) Kibbie

Co-Chairperson: Representative Dawn Pettengill

Overview. The Public Retirement Systems Committee received testimony from various organizations and individuals concerned with the major public retirement systems in the state. The Committee recommended that potential recommendations be considered at a subsequent meeting of the Committee during the 2012 Legislative Session.

MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA (MFPRSI)

MFPRSI Staff. Mr. Dennis Jacobs, MFPRSI Executive Director, and Mr. Donn Jones and Mr. Glenn Gahan, Consulting Actuaries, provided background information concerning the retirement system. Mr. Jacobs noted several challenges facing the system, to include achieving adequate investment returns to fund the system, restoring the favorable funding status of the system following the recent decline in the investment markets, implementing federal and state requirements concerning veteran's reemployment rights, and issues concerning implementation of complex programs within the retirement system. Mr. Jacobs also noted that the MFPRSI board is recommending technical statutory changes for legislative action.

Mr. Jones noted that based on the most recent actuarial valuation of the system for the fiscal year ending June 30, 2011, the funded status of the system based upon the market value of assets is 85 percent, an increase from 72 percent from two years ago. Mr. Gahan then discussed future trends in the actuarial contribution rate using both the aggregate cost actuarial method and the entry age normal actuarial cost method. Under both methods, the cities' contribution rate will likely rise, and then decline over time with the increase and decrease more gradual if the entry age normal method is used.

Iowa League of Cities. The league expressed its concern over the impact of increased required contributions from the cities to MFPRSI in the future. The league proposed moving towards a split of the total required contribution rate to the system of 60 percent employer and 40 percent employee for new employees.

Iowa State Police Association and Iowa Professional Fire Fighters. The associations believe that the system is working as designed and that no changes are needed. The MFPRSI board looked at options for changing the system but eventually made no recommendations for change. Costs of the retirement system should not be shifted to working fire fighter and police officer families.

PEACE OFFICERS' RETIREMENT SYSTEM (PORS)

PORS Staff. Mr. David Heuton, PORS Director of Administrative Services, provided background on the system. Based upon the July 1, 2011, actuarial valuation of the system, the shortfall in contributions to the system is 13.69 percent of payroll. However, due to improved investment experience, the funded status of the system based upon the market value of assets improved to 66.9 percent from 59.3 percent from the prior fiscal year. Long term, Mr. Heuton noted that the impact of the changes to the system during the 2010 Legislative Session will result in the funded status of the system improving to 85 percent by the year 2031, assuming all other assumptions are met. The 2010 legislative changes

included reducing the years of disability retirement counted as service credit as well as limiting post retirement benefit increases. In addition, the employer and employee contributions were increased and a supplemental \$5 million annual appropriation to the system will begin on July 1, 2012. As a result of these changes, the PORS board recommended no changes to the system.

State Police Officers Council and the Iowa State Patrol Supervisors' Association. The associations made no recommendation for changes and urged the Legislature to let the statutory changes enacted in 2010 continue to work on improving the long-term funded status of the system.

JUDICIAL RETIREMENT SYSTEM

Overview. Mr. David Boyd, State Court Administrator, Ms. Peggy Sullivan, Director of Finance and Personnel, and Mr. Brent Bannister, Senior Actuary, provided background on the retirement system. Based upon the July 1, 2011, actuarial valuation of the system, the shortfall in contributions to the system is only 0.55 percent of payroll. In addition, due to improved investment experience, the funded status of the system based upon the market value of assets improved to 67.8 percent from 63.7 percent from the prior fiscal year. No recommendations for changes to the system were made.

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

IPERS Staff. Ms. Donna Mueller, Chief Executive Officer, and Mr. Bannister addressed the Committee and provided an overview of the retirement system and described the general financial condition of the system, to include preliminary information relative to the June 30, 2011, actuarial valuation of the system. Based on this preliminary information, the funded status of the entire system based upon the actuarial value of assets is 79.9 percent. In addition, the total contribution rate for the regular membership classification will increase the maximum one percentage point to 14.45 percent beginning July 1, 2012, with the contribution split between the employer and employee on a 60-40 basis. Based upon this total contribution rate, the shortfall in contributions to the system is only 0.32 percent of payroll.

For members of the sheriffs and deputies classification, the total contribution rate will increase to 19.8 percent, payable on a 50-50 employer and employee basis, beginning July 1, 2012. For members of the protection occupation classification, the total contribution rate will increase to 17.11 percent, payable on a 60-40 employer and employee basis, beginning July 1, 2012. For the regular membership classification, benefit reductions were enacted in 2010 and these changes, included with improved investment experience, has improved the long-term funding of this membership group.

Current issues facing the system include the cost to the system of retirees returning to IPERS covered employment, the future of continuing retiree dividend payments for those members retiring after 1990, and the potential impact of Government Accounting Standards Board (GASB) proposed accounting changes relative to public pensions.

IPERS Benefit Advisory Committee (BAC). BAC has made no specific recommendation for legislative changes at this point. The BAC has examined the possibility of including bailiffs within the protection occupation category but groups representing bailiffs have not yet made a formal recommendation.

Iowa Hospital Association. The association requests the Legislature to eliminate the July 1, 2012, sunset of the shortened retirement waiting period for licensed health care professionals.

Next Meeting. The Committee intends to meet during the 2012 Legislative Session to consider possible recommendations for legislative consideration.

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